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Switzerland

Retail Food Sector

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Report Highlights:

Switzerland offers good market potential for high-quality U.S. products. While the overall market is small, disposable income is high and consumers demand value for their money spent. Consumption trends mirror the United States and Western Europe.

Includes PSD changes: No

Includes Trade Matrix: No

Annual Report

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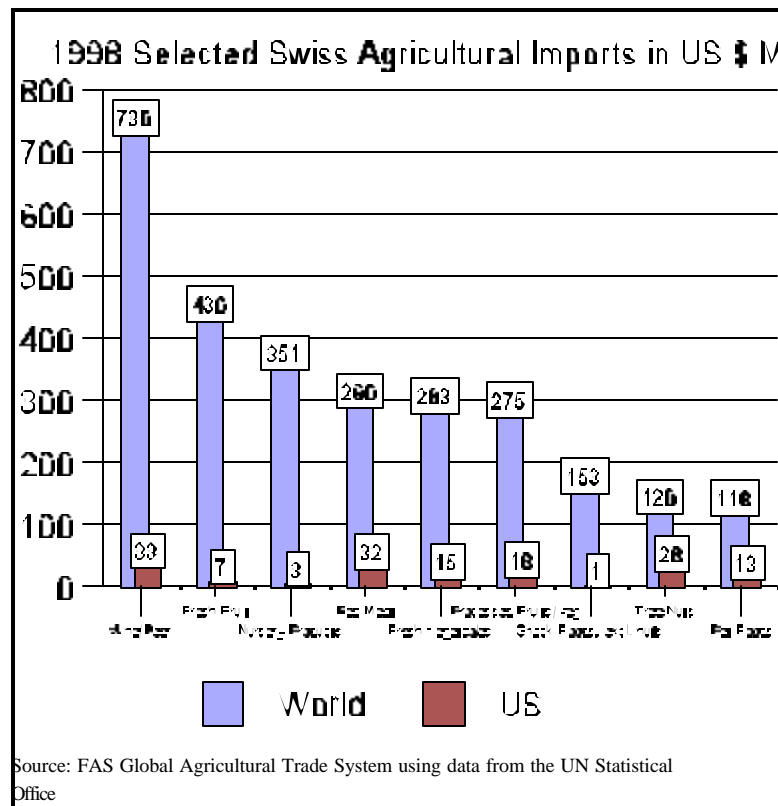
I. Market Summary

Switzerland offers good opportunities for US food and agriculture products. Swiss consumers, although only approximately seven million in number, have the highest per capita income in Europe. According to 1992¹ statistics, Swiss households spent over 11 percent of their total household expenditure of \$4680² on food, beverages and tobacco. Given the significant increase in retail turnover which began in 1998, these figures are expected to have risen. In August 1999, the food, beverages and tobacco sector showed a real percentage increase of 4.3 percent over August 1998.

The Swiss population is knowledgeable and well-disposed to purchase quality US food and agricultural products. Switzerland offers modern infrastructure with efficient transportation and banking systems which allow for ease of distribution of products and secure transfer of funds. US exporters will benefit from both a transparent customs process as well as an efficient distribution system.

The Swiss retail market can be challenging for many US food and agriculture products. The existence of cartels in the food sector is a significant barrier. Given these and other barriers, the US share of the Swiss food and agricultural market is only around 5 percent.

US exporters must calculate not only high transportation costs but also considerable Swiss tariff rates on agricultural products. Additionally, the US does not benefit from the preferential tariff rates that Switzerland grants some countries, including the 15 member states of the European Union. Switzerland currently applies tariff rate quotas to many food products, including wine imports.



Exporters of prepackaged food products need to take into account that Swiss customs regulations mandate that tariffs be based on the

¹ The results of a Household and Budget Survey conducted in 1998 will be available in January 2000. This information will be available at: <http://www.statistik.admin.ch>

² An exchange rate of 1.45 Chf has been used throughout this report.

gross weight of imports. Thus the weight of packaging is included in the calculation of the tariff. Additionally, prepackaged foods should be labeled in German, French and Italian, the official languages of Switzerland.

Visible trends in the Swiss retail food market include a growing consumer demand for ecologically-friendly, socially responsible and bio-safe products with minimal additives. Migros and Coop, the two largest food chains, offer a vast range of such products marketed under special labels. Significant growth in sales within these niche markets was reported in 1998.

Additionally, given the demographic shift which includes both a discernable increase in the number of elderly as well as working women, there has been an upswing in the interest for fresh and nourishing convenience products such as pre-cooked and ready-to-eat meals.

Convenience is also the key factor in the growth of food marts and kiosks located in a growing number of gas stations and train stations. However, due to their small size and turnover potential, these sectors provide limited export possibilities.

In the past two years, the Swiss retail food sector has expanded into Cyberspace. Migros established Migros Online Shopping in May 1998 where shoppers can order food and non-food products with their computer. This service registered significant interest and high sales. Coop currently offers a more limited shopping site for wine.

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN SWITZERLAND

Advantages	Challenges
Affluent consumers with high disposable incomes	Significant border measures
Modern infrastructure and banking systems	Highly concentrated food sector marketing system
Positive image of US products	Highly subsidized agricultural products
Similar demographic trends as in US (i.e., increase in demand for convenience products)	Lack of awareness to new consumer ready products
Fairly transparent government process	Small population (approximately 7 million)

II. Road Map for Market Entry

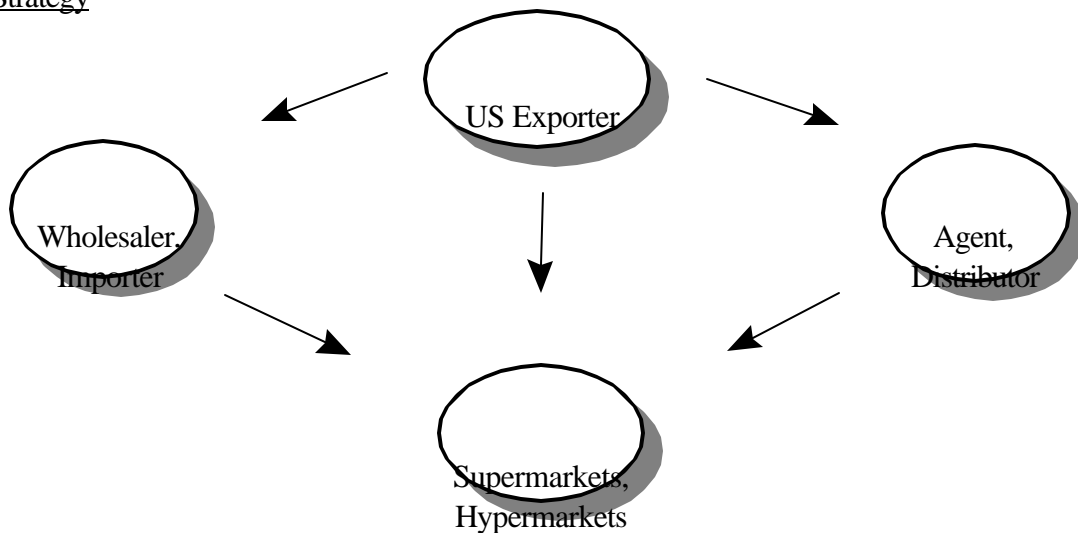
A. Supermarkets, Superstores, HyperMarkets or Super Centers, Club and Warehouse Outlets

The Swiss retail food market is largely dominated by two vertically integrated cooperatives, Migros and Coop. With their wide array of products and services and established presence, they enjoy both a large and loyal customer base. The overwhelming market presence of these two retail food chains accounts for an approximate 75 percent share of annual Swiss food sales and they have a significant competitive advantage. However, far from complacent, Migros and Coop have shown to be innovative and responsive to the needs of their customers.

Migros and Coop produce many of their own store brands preferring to use Swiss products. This directly affects the exporting opportunities of US agricultural and food producers. Initial efforts by the Foreign Agricultural Service to work with these dominant retailers in providing increased business opportunities to US exporters have been favorable. Additional activities, including promotion of US food and agricultural products, are planned.

The Usogo Hofer Curti AG (UHC AG), parent company of the discount chain Pick Pay and independent retailers Primo/Visavis, is a strong force in the niche retail sectors including convenience and discount stores and fresh produce markets. Pick Pay Markets aim to gain market share by establishing themselves as providers of quality fresh fruits and vegetables.

Entry Strategy



- Employ the services of a knowledgeable local agent or distributor. They can facilitate product introduction, ensure availability and conduct market surveys. Assistance in identifying appropriate Swiss food agents and distributors may be obtained by contacting the US Office of Agricultural Affairs at aggeneva@fas.usda.gov.

- Contact the purchasing agents of the large Swiss supermarket chains.
- Approach wholesalers or importers who represent Swiss independent food retailers.
- Exhibit at European agricultural and food trade shows, including the annual Anuga exhibition in Cologne and the SIAL fair in Paris. For additional information on these trade shows, contact ATOHamburg@fas.usda.gov or agparis@fas.usda.gov.

MAJOR SUPERMARKET PROFILE

Name of Retailer	Type of Outlet	Ownership	Food Sales Mil. ChF	Number of Outlets	Location	Purchasing Agent
Migros	Super/ Hyper	FMC; Swiss	8843	537	Switzerland (Also France, Germany)	Direct
Coop	Super/ Hyper	Coop Group; Swiss	7297	1068	Switzerland	Direct
Denner	Food Discounter	Swiss			Switzerland	Direct
Billi	Food Discounter	Swiss			Switzerland	Direct
Pick Pay/ Pick Pay Markets	Food Discounter	UHC AG; Swiss	PP = 538 PPM =10 (last 3 months of 1998)	PP = 43	Switzerland	Direct
Primo/ Visavis	Independent	UHC AG; Swiss	89	P = 409 V = 1112	Switzerland	
EPA	Independent	Swiss	NA	100	Switzerland	Direct
Jumbo	Hypermarket	Swiss	NA	37	Switzerland	Direct
Waro	Hypermarket	Swiss	700	24	Switzerland	Direct

B. Convenience Stores, Gas Marts, Kiosks

Swiss convenience stores and gas marts are generally limited to basic food items, snack foods and beverages, both alcoholic and non-alcoholic. Major gas stations with food marts include Agip, BP, Esso, Migrol and Shell. In early 1999, there were 53 such stations located on Swiss highway routes with many more on less-traveled routes. Registering moderate increases in 1998, this sector has yet to reach its full potential.

A strong force in supplying gas marts is Lekkerland (Switzerland) AG, jointly owned by Lekkerland International and UHC AG. In 1998, Lekkerland's 32 affiliates had gross sales totaling 174 million Swiss francs.

Kiosks offer limited items such as snack foods and sweets. They tend to purchase their products from local wholesalers/distributors. In a new development, the Swiss Federal Railway (SBB), along with Migros and Kiosk AG, opened three kiosks in Swiss railway stations during 1999. Under the name of 'avec', these franchises serve food and standard kiosk products until 8 p.m. throughout the year. Additional independently owned 'avec' kiosks are planned to be opened in small and medium-sized railway stations.

Entry Strategy

- Generally, Swiss agents, importers and distributors are effective in representing US products to convenience stores.
- With the increasing presence of Coop and Migrol (Migros) in the gas mart niche, US exporters will need to contact their purchasing agents directly. Coop Aargau is the agent for Coop's OK gas marts. Migrol uses an independent agent.

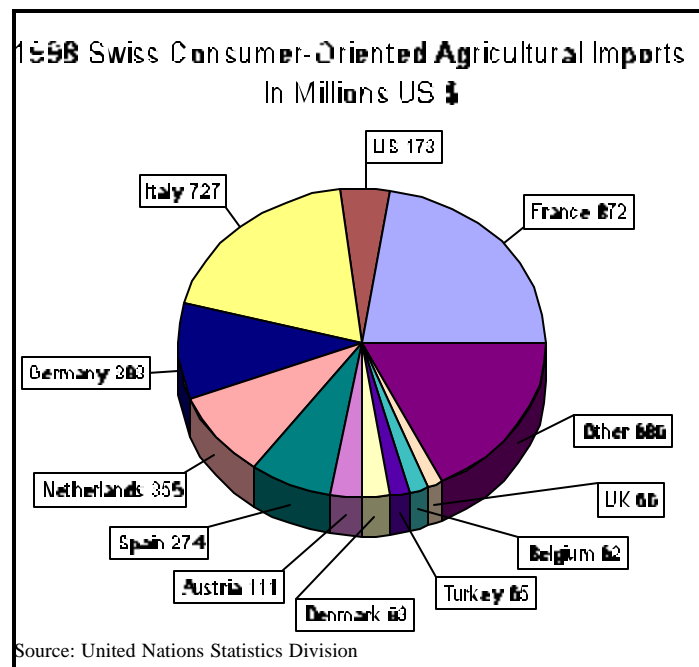
C. Traditional Markets, Small Independent Groceries and Farmers Markets

Limited import possibilities exist in this sector.

III. Competition

Switzerland imports approximately 40 percent of its total food and agricultural products. Its major sources of imports are the surrounding member states of the European Union. These countries benefit from preferential tariff rates. Additionally, Swiss food retailers have firmly established business relations with their European suppliers.

Southern hemisphere countries, including Brazil, and members of the South African Customs Union have also exported significant amounts of food and agricultural products to Switzerland.



IV. Best Product Prospects

A. Products Present in the Market Which have Good Sales Potential

- Wine - US wine exports have enjoyed rapid growth in recent years. Administrative reforms starting on January 1, 2000 may create difficulties for white wine importers. Competition is increasing from Spain, France and Italy.
- Beef - The current quota for beef is scheduled to increase over the next several years offering US beef exporters a significant opportunity to increase their market presence. There is also an increasing market for hormone-free beef.
- Rice - With a 40 percent market share, US rice is firmly present in the Swiss market. However, with demand relatively flat and competition from India and Thailand, this sector continues to experience pressure.
- Tree Nuts - US walnuts and almonds have over 5 percent of the Swiss market. However, competition from Spain and France continues to pose challenges in this sector. Between 1996 and 1998, the US market share decreased 10 percent.
- Asparagus - Swiss consumers recognize fresh US green asparagus as being of high quality and it enjoys a strong market presence. In recent years, Spanish asparagus has started to make inroads.
- Pet foods - US exporters of dog and cat food enjoy a solid 11 percent share of the Swiss market.

B. Products Not Present in Significant Quantities but Which have Good Sales Potential

- Fresh fruits and vegetables - This is particularly true for early season produce. Fresh strawberries have witnessed growth of over 35 percent in recent years, with continued growth forecast.
- Organic and non-GMO foods - Swiss consumers have increasingly demanded natural food and agricultural products.
- Fresh and smoked fish and seafood products - Switzerland imported \$379 million of fish and seafood products, particularly groundfish, flatfish, salmon and crustaceans. However, the US market share continues to be only 2 percent.

C. Products Not Present Because they Face Significant Barriers

- Fresh fruit juices, especially orange juice - Orange juice concentrates from Brazil dominate the Swiss market. However, preliminary research indicates that there is a high demand for high quality US concentrate and fresh orange juice. Swiss import tariffs do not distinguish between single strength and concentrates thus posing a barrier for single strength exporters.

V. Post Contact and Further Information

If you should have questions and comments regarding this report or require additional export assistance for Switzerland, please contact the U.S. Office of Agricultural Affairs at the following address:

Office of Agricultural Affairs
U.S. Mission
11, route de Pregny
CH-1292 Chambésy
Geneva
Tel: 33-21-749-5247
Fax: 33-21-749-5333
Email: aggeneva@fas.usda.gov

For further information on exporting U.S. agricultural products to other countries, visit the Foreign Agricultural Service home page: <http://www.fas.usda.gov>